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United Illuminating

Webster Bank

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**Statement on Behalf of  
Connecticut's Insurance and Financial Services Cluster**

Regarding

***Senate Bill 204: AAC The State Medical Loss Ratio***

Insurance & Real Estate Committee

March 1, 2012

The Patient Protection and Affordable Care Act [PPACA] directs healthcare insurers to report the percentage of premium revenue that is spent on claims/clinical services and quality improvements – the Medical Loss Ratio [MLR]. If a health insurer fails to meet the MLR, federally-defined at 85% for large group and 80% for small group and individual markets, the PPACA requires the insurers to pay “rebates” to enrollees.

SB 204 proposes new state MLR requirements and weakens Connecticut's position as being a leader in providing quality, affordable healthcare for its residents. The bill is premature and doesn't allow for the full provisions of the federal law to prevail. Furthermore, it proposes a requirement that is not permitted under PPACA. Specifically:

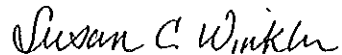
- The National Association of Insurance Commissioners established uniform definitions and standardized methodologies for calculating the MLR. Under PPACA, states do not have the authority to change the definitions or ‘amend the factors’ associated in the calculations, as proposed.
- The first-round of federally-required MLR reports will not be submitted to HHS until June 2012 providing no benchmark or justification to increase state MLR percentages on the Connecticut market right now.
- New and potentially short-sighted MLR requirements and penalties could cause insurers to withdraw from the market leaving less choice for consumers.

As 2014 approaches, health care reform remains an important and timely topic. Employers and employees are focused on a choice of quality and affordable health care insurance products. The state's Exchange Board is

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a vital part of creating a new marketplace for employers and individuals to purchase their health care coverage. It is important that we focus on strengthening this work that is already being done without complicating the process with legislation that preempts the overarching federal law. For these reasons, the Connecticut IFS Cluster opposes SB 204. Thank you for your consideration.



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